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DEPARTMENT OF HEALTH SERVICES
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July 7, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

SB 1732 MEDI-CAL CONTRACT AMENDMENT
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chair to sign, as a confidential document, Amendment No. 11 to the County's Medi-Cal inpatient contract with the State of California and submit it to the State Director of Health Services for her signature.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

Approval of this amendment will enable the Department of Health Services (DHS) to secure Construction/Renovation Reimbursement Program (CRRP) supplemental reimbursement from the Medi-Cal program for certain capital projects at LAC+USC Medical Center and at Harbor/UCLA Medical Center to support DHS operations. The amendment also makes non-substantive changes to the integration clause of the Medi-Cal contract. The California Medical Assistance Commission (CMAC) authorized this amendment at its June 23, 2005 meeting.

BOARD OF SUPERVISORS

Gloria Molina
First District

Yvonne Brathwaite Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

FISCAL IMPACT:

This action should provide additional funding for DHS operations for each fiscal year (FY) through FY 2015-16.

FINANCING:

The CRRP, as established with the enactment of SB 1732 in 1989, provides supplemental reimbursement to hospitals participating in the Medi-Cal inpatient contracting program for a portion of their debt service payments of certain bond financed capital projects. The amount of reimbursement is dependent on the hospital's Medi-Cal utilization percentage, as determined by the State, during the calendar year in which the debt service is paid. To qualify, the projects must construct or renovate facilities so that they meet accepted medical standards, are funded through the issuance of new revenue bonds, and have met certain filing requirements. Reimbursement can commence when a capital project is completed and a certificate of occupancy issued.

The CRRP program is a part of the federal waiver for the State Selective Provider Contracting Program (SPCP) and payment to an individual provider is authorized through a Medi-Cal contract amendment. Provided the SPCP program remains in place, and that Medi-Cal contract payments (both per diem and supplemental) do not exceed the statewide institutional upper payment limits, reimbursement should continue until the qualifying bonds are fully paid. We note that Medi-Cal redesign may affect the CRRP program.

FACTS AND PROVISIONS: LEGAL REQUIREMENTS:

The amendment uses CMAC's standard CRRP language, modified to identify the County hospitals and projects included in the reimbursement program. To maintain eligibility and continue receiving the supplementary reimbursement, the hospitals must a) keep the benefits of the projects available to Medi-Cal beneficiaries, and b) continue participation in the SPCP.

Once executed by the Chair, this document must be submitted to the Director of the California Department of Health Services and executed by her in order to be effective. These amendments do not affect any of the CRRP payment provisions already in place for other capital projects.

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Government Code Section 6254(q) provides that a) modified contract terms are not subject to public disclosure until one year from the date of execution, and b) the portion of the contract containing reimbursement amounts need not be publicly disclosed until three years after contract terms are disclosed. Accordingly, reimbursement information will be provided the Board in a confidential memorandum. The amendment will be on file with DHS, Financial Applications, and Revenue Services Division.

CONTRACTING PROCESS:

CMAC is the sole State agency with authority for approving Medi-Cal contract amendments.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

CRRP reimbursement will help maintain current DHS hospital operations.

When approved, this Department requires seven signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:HJ (v:\word\Jew\1732\bdltr2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors